WEEKLY ECONOMIC REVIEW

October 27, 2006

U.S. economic growth slowed to a 1.6 per cent annual pace in the third quarter of 2006, down 2.6 per cent in the second quarter. This was the weakest quarterly gain in more than three years, and below the 2.2 per cent increase that markets had been anticipating. The slumping U.S. housing market was primarily responsible for the slowdown in growth, as spending on new housing fell by 17.4 per cent – the largest decline in 15 years. At the same time, other sectors of the U.S. economy held up well, as both consumer spending and non-residential investment picked up in the third quarter.

U.S. inflation eased in the third quarter. The overall inflation rate for personal consumption expenditures fell to from 4.0 per cent to 2.5 per cent, while core inflation (which excludes energy and food) dropped from 2.7 per cent to 2.3 per cent.

The U.S. Federal Reserve Board maintained its key interest rate at 5.25 per cent this week. In an accompanying statement, the Federal Reserve indicated that it continues to expect the U.S. economy to expand "at a moderate pace" in the coming months. Markets reacted positively to the Federal Reserve's announcement, which implied the likelihood of a "soft landing" for the U.S. economy, along with moderating inflation and stable or declining interest rates.

Cdn Dollar (C¢/US$)

Oct	27, 2006	89.4¢
Oct	20, 2006	88.9¢
2006-07 YTD		89.1¢

WTI Oil US$/bbl

Oct	26, 2006	$60.36
Oct	19, 2006	$58.50
2006-07 YTD		$69.22

Nymex Natural Gas C$/mcf*

November Contract

Oct	27, 2006	$8.61
Oct	20, 2006	$7.92

*Estimate based on Nymex Futures Market Price

Statistics Canada's survey of business conditions indicated that Canadian manufacturers expect falling production and employment in the next three months. However, the survey revealed sharp regional differences, with the drop in national manufacturing prospects largely attributable to a deteriorating outlook in central Canada. Manufacturers in Alberta, Saskatchewan and British Columbia expect to increase employment (while also reporting continued difficulties in finding skilled labour).

Alberta's retail sector continues to grow at a torrid pace. In August, Alberta retail sales advanced another 1.8 per cent, and were up 18.1 per cent from the same month in 2005. This was the highest year-over-year gain in retail sales ever recorded by Statistics Canada, for any province.

Economic Indicators Released this Week	Reference Period	Quarter/Previous Quarter	Quarter/Previous Quarter (Annualized Rate)	Quarter/Previous Year's Quarter
	3rd Quarter 2006			
US GDP (Billions of 2000 dollars)	11,433	0.4%	1.6%	2.9%
Retail Trade ($ Millions)	**August**	**Month/Previous Month (M/M)**	**Month/Previous Year's Month (Y/Y)**	**Year-to-date[1]**
Alberta	4,912	1.8%	18.1%	16.9%
Canada	33,377	1.0%	7.4%	6.4%

Source: Statistics Canada, U.S. Bureau of Labour Statistics

[1]Year-to-date 2006 compared to the same time period in 2005. For example: January-August 2006 versus January-August 2005